

# MARKETBEAT INDUSTRIAL SNAPSHOT



## MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication

Q4 2011



### ECONOMIC OVERVIEW

The industrial market in Milwaukee finished on a strong note upon completion of 4Q11. Absorption rate remained positive for the sixth straight quarter. Total absorption decreased slightly from 750,000 square feet (sf) in 3Q to 270,000 sf at year-end, nevertheless, a strong finish for a once fledgling industrial region. Overall, greater than 3.0 million square feet (msf) were absorbed during 2011, precipitating a decrease in overall vacancy from 8.5% one year ago to 7.5% in 4Q11.

### MARKET CHALLENGES

The remainder of 2011 displayed an increase in growth and efficiency for manufacturers in Milwaukee despite a sluggish economy. According to the Milwaukee Institute for Supply Chain Management's production manufacturing index, productivity in the Milwaukee area increased from 57 in November 2011 to 58 in December. Employment in the industrial sector also grew 3.9% in December, even with declining orders and inventories.

Increased absorption and productivity were certainly positive indicators for the future of the Milwaukee industrial market, yet challenges and uncertainty remain concerning Wisconsin's overall business climate. Political instability has plagued the state over the past year and experts believe that potential investors may be hesitant to sink capital into the market. The lack of skilled industrial workers in the Milwaukee market also remains a challenge. The gradual resurgence of the industrial sector has led many business owners to increase their hiring, but according to the Wisconsin Manufacturing Extension Partnership (WMEP) the inability of businesses to find skilled talent has been clouding the recovery of the industrial market.

### CONSTRUCTION ACTIVITY

The second half of 2011 witnessed an explosion of activity in Milwaukee's Menomonee Valley Business Park, with Palermo's Pizza completing a 100,000-sf addition, along with Ingeteam finishing a 140,000-sf production facility. Bostik Inc., an industrial adhesives manufacturer, is also set to break ground with a \$10-million expansion to their Wauwatosa facility. The expansion is also coupled with bringing nearly 100 new jobs to Wisconsin. Development in Waukesha County also remained active throughout 4Q11. Harken Inc. is nearing completion of its 175,000-sf expansion, and a 300-acre industrial business park in Sussex has also been proposed and is awaiting approval.

The highly anticipated re-development of the former Delphi Automotive plant site off of Howell Avenue in Oak Creek is finally in the works. The 85-acre automotive manufacturing plant which has been vacant since 2006 will be demolished and restructured to potentially house a new city hall and library for Oak Creek.

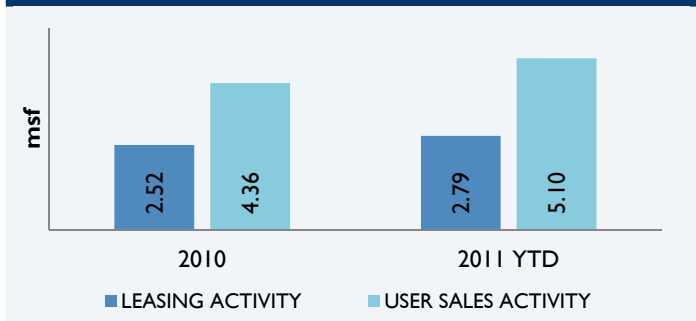
### OUTLOOK

The city of Milwaukee was once considered a "rust belt" region, with the manufacturing sector bleeding jobs at a frightening rate. Yet since 2009, heavy metal manufacturing in Southeastern Wisconsin has surged. The Praxis Strategy Group rated the Milwaukee-Waukesha-West Allis sector #2 nationwide in terms of positive manufacturing expansion and growth. In 2011 nearly 4000 heavy metal jobs were created in the Milwaukee area, and the sector has continued to lead other Great Lakes manufacturing communities.

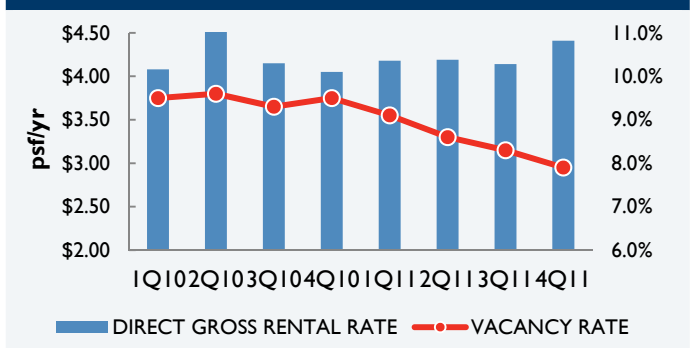
### STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.5%	7.9%	-1.6pp	▼
Direct Asking Rents (psf/yr)	\$4.05	\$4.14	2.2%	◄►
YTD Leasing Activity (sf)	2,522,220	4,359,297	72.8%	▲

### OVERALL OCCUPIER ACTIVITY



### DIRECT RENTAL VS. VACANCY RATES



## MILWAUKEE, WI

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
									HT**	MF	OS	W/D
Milwaukee Co.	94,725,062	9.8%	2,777,918	2,129,058	315,178	405,350	1,336,227	1,293,513	N/A	\$3.55	\$4.80	\$3.66
Ozaukee Co.	12,865,672	12.2%	110,350	427,909	0	0	161,339	161,339	N/A	\$3.84	\$4.83	\$3.29
Washington Co.	19,344,794	5.5%	86,162	627,910	0	140,000	180,717	180,717	N/A	\$4.44	\$4.71	\$1.71
Waukesha Co.	68,024,709	5.3%	1,384,867	1,916,518	441,000	448,950	347,488	359,267	N/A	\$4.96	\$5.59	\$4.41
<b>TOTALS**</b>	<b>194,960,237</b>	<b>7.9%</b>	<b>4,359,297</b>	<b>5,101,395</b>	<b>756,178</b>	<b>994,300</b>	<b>2,025,821</b>	<b>1,994,836</b>	<b>N/A</b>	<b>\$4.04</b>	<b>\$5.11</b>	<b>\$3.73</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

\*\*HIGH TECH INVENTORY DOES NOT EXIST IN THIS MARKET

## MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS		SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
5211 S 3 <sup>rd</sup> Street		Milwaukee Co.	Bentley World Packaging Ltd	Warehouse/Distribution	360,000
10001 S Howell Avenue		Milwaukee Co.	Bentley World Packaging Ltd	Office/Service	340,000
11100-11500 W Burleigh Street		Milwaukee Co.	Schoenck Containers Inc.	Warehouse/Distribution	225,000
SIGNIFICANT 2011 SALE TRANSACTIONS		SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
5915 S Moorland Road		Waukesha Co.	AGNL Costumes, LLC	\$30,008,000*	495,000
W160 S6471 Commerce Drive		Waukesha Co.	ARC GEM SK WI001, LLC	\$23,688,368*	486,161
6101 N 64 <sup>th</sup> Street		Milwaukee Co.	T&M Industrial Properties LLC	\$3,300,000	374,736
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS		SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
400 S Prairie		Waukesha Co.	Waukesha Electric Systems	4Q11	154,000
3757 W Milwaukee Road		Milwaukee Co.	Ingeteam	3Q11	140,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION		SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N106 W13500 Bradley Way		Waukesha Co.	Bradley Corporation	1Q12	190,000
N15 W24887 Bluemound Road		Waukesha Co.	Harken, Inc.	2Q12	175,000